

RD AN No. 3586 (1980-D)
November 13, 2000

TO: State Directors
Rural Development

ATTENTION: Rural Housing Directors
Guaranteed Rural Housing Specialists

FROM: James C. Kearney *(Signed by James C. Kearney)*
Administrator
Rural Housing Service

SUBJECT: Single Family - Guaranteed Rural Housing
Fee Increase

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to notify field offices of the increase in the Single Family - Guaranteed Rural Housing (SF-GRH) loan guarantee fee from 1 percent to 2 percent.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Effective for any loan package for which the Conditional Commitment will be issued after the signing of the Fiscal Year 2001 Agriculture Appropriations Bill, the SF-GRH loan guarantee fee is increased from 1 percent to 2 percent of the principal amount of the loan to be guaranteed.

EXPIRATION DATE:
September 30, 2001

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

The National Office has notified all nationally approved lenders of this change, using Attachment 1 of this AN. State Office SF-GRH contacts are responsible for notifying State-approved lenders, using Attachment 1 as a model.

If you have questions regarding this AN, please contact Joyce Halasz of the Single Family Housing Guaranteed Loan Division (SFHGLD), at (202) 720-1456, or any member of the SFHGLD staff at (202) 720-1452.

Attachment

TO: Nationally Approved
Single Family - Guaranteed Rural Housing Lenders

FROM: James C. Kearney
Administrator
Rural Housing Service

SUBJECT: Single Family - Guaranteed Rural Housing Fee Increase

Recent Congressional legislation has increased the Single Family - Guaranteed Rural Housing (SF-GRH) loan guarantee fee from 1 percent to 2 percent of the principal amount of the loan. We believe this increase will not impact the substantial benefits of this program to your business and the housing needs of rural America. GRH loans still may include fees up to 100% of the market value of the collateral. Fees are lower than other government-backed loans and the loans require no private mortgage insurance. Rural Development offices provide local service while your GRH loans have broad secondary market acceptability. As an additional benefit, we are now authorized increased income limits in areas which have been below the national median income.

Effective for any loan package for which the Conditional Commitment will be issued after the signing of the Fiscal Year 2001 Agriculture Appropriations Bill, the guarantee fee will be 2 percent of the loan amount. To avoid delays in processing, it is imperative that all our partners are aware of this change. We ask you to take responsibility for notifying your agents, correspondents, underwriters, packagers, and any others who assist applicants in eligibility determinations.

To calculate the fee using the new factor set out in Exhibit K of RD Instruction 440.1, multiply the principal loan amount by .90, then by the factor, .0222222, and, if necessary, round up to the next cent.

Example: Loan Amount \$87,750.00 x .90 x Factor .0222222 = Fee \$1,755.00

To calculate the 2 percent guarantee fee more simply, multiply the principal loan amount by .02 and round up to the next cent.

Example: Loan Amount \$87,750 x Fee .02 = \$1,755.00

To calculate a loan amount which includes the fee, simply divide the original principal loan amount by .98 (1.00 less the .02 fee rate), and round up to the next cent. To calculate the 2 percent fee, multiply the amount of the loan with fee by .02. Note that loan obligations must be in 10 cent increments, therefore the new loan amount may need to be rounded to the nearest 10 cents. The resulting fee deficit or excess may be adjusted at settlement.

Example: Original Loan Amount \$87,750 / .98 = Loan with fee \$89,540.8163, rounded up to \$89,540.82. Loan with fee \$89,540.82 x .02 = Fee \$1,790.82

The new loan amount will be rounded to \$89,540.80, with the borrower paying the additional \$.02 at settlement.

We greatly appreciate your continued participation in this program. If you have questions regarding this letter, please call any member of the SFH Guaranteed Loan Division in Washington, DC, at (202) 720-1452, or any State SF-GRH contact.